

FDIC State Profile

Winter 2005

Missouri

Missouri's economy expanded nicely in the third quarter, though manufacturing remained weak.

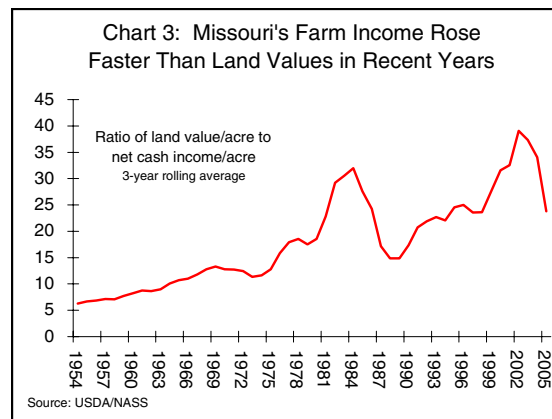
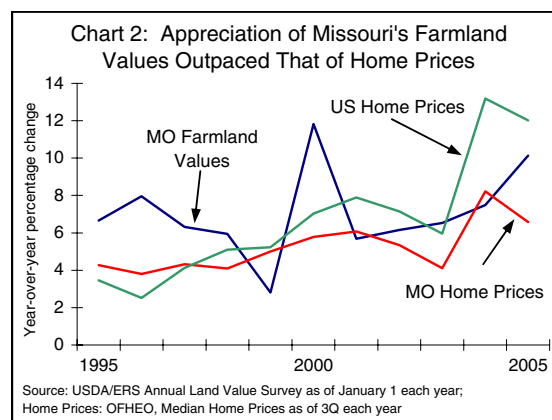
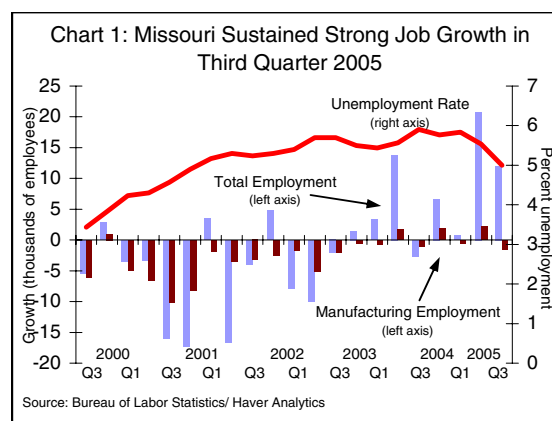
- Missouri's economy gained 12,000 jobs in the third quarter, contributing to an increase of more than 33,000 jobs in the first nine months of 2005, already exceeding the gains achieved in all of 2004 (see Chart 1). The improvement in employment was widely distributed across job sectors, with only the construction industry declining slightly on a year-over-year basis.
- Missouri's manufacturing sector lost 1,400 jobs in the third quarter. This sector continued to exhibit weakness, as it was still more than 60,000 jobs below the peak level achieved in third quarter 1999.
- Substantial job growth caused unemployment in the third quarter to decline to 5.0 percent, the lowest level since fourth quarter 2001.

The value of Missouri farmland surged 10.1 percent in 2005.

- Over the last decade, Missouri's farmland values have appreciated more than the state's home prices (see Chart 2).
- According to the United States Department of Agriculture, Missouri farmland values increased 10.1 percent to \$1,740 per acre in 2005, following a 7.5 percent increase in 2004. While \$1,740 was a record for Missouri farmland value in nominal terms, when adjusted for inflation, the 2005 farmland price was 93 percent of that achieved in 1981, when farmland values reached historic levels.
- Low interest rates, favorable crop yields, generous federal farm programs, and non-agricultural demand for farmland have contributed to the increase in farmland values.

Missouri's farmland values have risen more slowly than net cash farm income in recent years.

- The ratio of Missouri's farmland value to net cash farm income (per acre) increased steadily from 1989 to 2002, largely reflecting the expansion of suburbs and conversion of farmland for recreational uses (see Chart 3).



State Profile

- The price-income ratio rose sharply from 1977 to 1984, reflecting the spike in land prices during that period.
- Farm income growth outpaced increases in land value from 2003 to 2005, causing the price-income ratio to decline sharply.

Missouri insured institutions report continuing strong operating results, but deposit disintermediation appears to have returned.

- Third quarter earnings performance dipped slightly. Median net interest margin remained unchanged from one year earlier at 3.98 percent, and median return on assets declined a few basis points to 1.03 percent. Additionally, strong loan growth continued. The third quarter 2005 median loan-to-asset ratio increased 1.7 percentage points from third quarter 2004 to 72.7 percent after increasing 2.6 percentage points during the similar 2003 to 2004 period.
- While institution deposit-to-asset ratios briefly stabilized from 2000 to 2001 and 2002 to 2003, coinciding with declining desirability of alternatives to deposits such as stock investments, the resurgence of equities is again causing deposit levels to lag (see Chart 4).

Stronger demographics lead to higher deposit growth rates in Missouri's metropolitan areas.

- Annual Summary Deposits data as of June 30, 2005, show that deposit growth among community bank branches in Missouri's metropolitan areas has outpaced the rest of the state over the past five years.¹ Primarily, this is indicative of the growing polarity in Missouri's population growth (see Table 1).
- Seeking better growth opportunities, an increasing number of nonmetropolitan-based institutions in Missouri are opening branches in metropolitan areas. In 1995, 7 percent of banks headquartered in nonmetropolitan Missouri had branches in metro areas. That proportion has steadily increased, registering 16 percent in 2000 and 18 percent in 2005.
- Although branching into metro areas might provide increased deposit growth opportunities for some institutions, it might also subject them to greater direct competition with significantly larger institutions.

¹For this Profile, the term "branches" includes banking facilities in main offices and branch locations.

While statewide bank branch growth continues in Missouri, large bank control is declining.

- Bank branch growth in Missouri remained moderate from June 2004 to June 2005, increasing 1.6 percent to 2,225 branches.
- Control of bank branches in the state by larger bank organizations—those with combined assets of \$10 billion or more—has generally declined (see Chart 5). Larger bank organizations have slowly shed branch locations, many of which were acquired by smaller organizations, while smaller and new bank organizations have been adding bank branches.

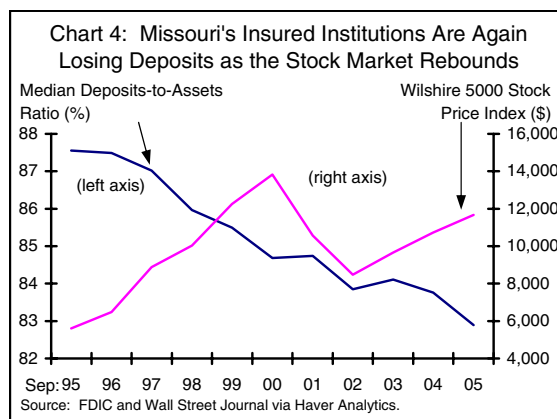
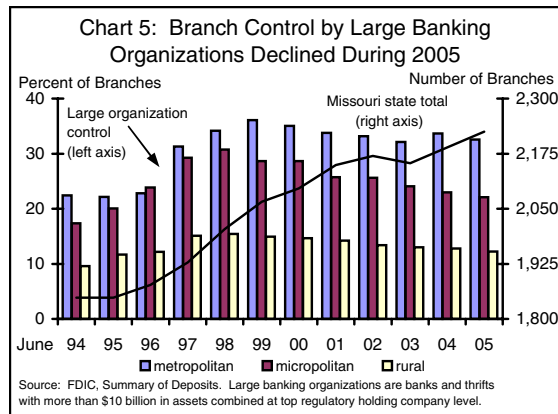


Table 1: Community Bank Deposit Growth Is Stronger in Missouri's Metropolitan Areas

Missouri Branch Location	Deposit Growth	Population Growth
Metropolitan	8.9	0.8
Micropolitan	6.7	0.7
Rural	7.0	0.3
Statewide	8.1	0.7

Source: FDIC, U.S. Census Bureau, Community banks in operation since at least 1997. Annualized growth rates: deposits '00-'05, population : '00-'04.



Missouri at a Glance

ECONOMIC INDICATORS (Change from year ago, unless noted)

Employment Growth Rates	Q3-05	Q2-05	Q3-04	Q3-04	2004
Total Nonfarm (share of trailing four quarter employment in parentheses)	1.1%	0.8%	0.6%	0.5%	-0.7%
Manufacturing (12%)	0.9%	0.7%	-0.2%	-0.7%	-3.4%
Other (non-manufacturing) Goods-Producing (5%)	0.8%	1.5%	2.9%	2.6%	-0.9%
Private Service-Producing (67%)	1.4%	0.8%	0.6%	0.8%	-0.4%
Government (16%)	-0.1%	0.6%	0.3%	-0.7%	0.3%
Unemployment Rate (% of labor force)	5.0	5.5	5.9	5.7	5.6
Other Indicators	Q3-05	Q2-05	Q3-04	Q3-04	2004
Personal Income	N/A	5.9%	4.9%	5.2%	3.7%
Single-Family Home Permits	-3.1%	7.3%	1.6%	9.0%	7.7%
Multifamily Building Permits	-0.8%	38.4%	10.0%	1.6%	-24.3%
Existing Home Sales	0.6%	0.6%	-2.7%	8.2%	13.8%
Home Price Index	6.6%	8.1%	8.2%	6.8%	4.6%
Nonbusiness Bankruptcy Filings per 1000 people (quarterly annualized level)	9.68	7.78	6.43	6.56	6.74

BANKING TRENDS

General Information	Q3-05	Q2-05	Q3-04	Q3-04	2004
Institutions (#)	372	372	372	373	377
Total Assets (in millions)	95,398	94,032	88,044	91,786	86,837
New Institutions (# < 3 years)	7	8	5	8	6
Subchapter S Institutions	102	102	99	99	87
Asset Quality	Q3-05	Q2-05	Q3-04	Q3-04	2004
Past-Due and Nonaccrual Loans / Total Loans (median %)	1.41	1.35	1.52	1.37	1.66
ALLL/Total Loans (median %)	1.19	1.18	1.19	1.19	1.20
ALLL/Noncurrent Loans (median multiple)	2.36	2.37	2.40	2.66	2.05
Net Loan Losses / Total Loans (median %)	0.03	0.02	0.05	0.09	0.12
Capital / Earnings	Q3-05	Q2-05	Q3-04	Q3-04	2004
Tier 1 Leverage (median %)	9.41	9.30	9.14	9.14	9.03
Return on Assets (median %)	1.08	1.05	1.10	1.03	1.06
Pretax Return on Assets (median %)	1.49	1.47	1.52	1.42	1.39
Net Interest Margin (median %)	4.03	4.01	4.05	4.01	3.93
Yield on Earning Assets (median %)	6.20	5.95	5.64	5.59	5.83
Cost of Funding Earning Assets (median %)	2.12	1.90	1.60	1.58	1.86
Provisions to Avg. Assets (median %)	0.10	0.10	0.11	0.13	0.14
Noninterest Income to Avg. Assets (median %)	0.66	0.62	0.65	0.64	0.64
Overhead to Avg. Assets (median %)	2.85	2.78	2.75	2.80	2.76
Liquidity / Sensitivity	Q3-05	Q2-05	Q3-04	Q3-04	2004
Loans to Assets (median %)	72.7	72.0	71.0	70.4	68.5
Noncore Funding to Assets (median %)	19.3	17.7	16.7	16.5	15.6
Long-term Assets to Assets (median %, call filers)	7.8	8.9	10.3	9.0	11.0
Brokered Deposits (number of institutions)	95	89	76	85	64
Brokered Deposits to Assets (median % for those above)	3.1	3.0	2.5	2.7	1.8
Loan Concentrations (median % of Tier 1 Capital)	Q3-05	Q2-05	Q3-04	Q3-04	2004
Commercial and Industrial	77.5	77.0	75.9	76.7	77.2
Commercial Real Estate	207.8	201.8	193.8	196.6	178.9
Construction & Development	46.6	42.5	35.9	37.2	32.5
Multifamily Residential Real Estate	3.7	3.4	2.8	2.8	2.8
Nonresidential Real Estate	138.7	136.5	130.9	131.5	130.0
Residential Real Estate	214.2	216.0	219.5	218.7	218.1
Consumer	42.9	42.5	47.6	45.4	51.4
Agriculture	73.2	77.5	78.9	77.3	72.0

BANKING PROFILE

Largest Deposit Markets	Institutions in Market	Deposits (\$ millions)	Asset Distribution	Institutions
St. Louis, MO-IL	138	48,005	< \$250 million	300 (80.6%)
Kansas City, MO-KS	152	32,593	\$250 million to \$1 billion	61 (16.4%)
Springfield, MO	42	6,651	\$1 billion to \$10 billion	10 (2.7%)
Jefferson City, MO	24	2,903	> \$10 billion	1 (0.3%)
Columbia, MO	20	2,198		